

Sun Life Malaysia

AIIMAN Select Income Fund

July 2024



FUND OBJECTIVE

To provide investors with regular income stream through Shariah-compliant investment.

INVESTMENT STRATEGY & APPROACH

Please refer to the Yearly Fund Fact Sheets at <https://www.sunlifemalaysia.com/insurance-and-takaful/investment-linked-fund/yearly-fund-fact-sheet/> for more information on the Investment Strategy and Approach of the target fund.

FUND DETAILS

| | | | |
|-----------------------|--|---------------------------------------|--|
| Launch Date | 13 February 2015 | Domicile | Malaysia |
| Currency | Ringgit Malaysia | Launch Price | RM1.0000 |
| Units in Circulation | 15.31 million units (31 July 2024) | Fund Size | RM19.83 million (31 July 2024) |
| Unit NAV | RM1.2953 (31 July 2024) | Target Fund | AHAM Aiiman Select Income Fund (FKA Affin Hwang Aiiman Select Income Fund) |
| Fund Manager | AHAM Asset Management Berhad | Taxation | 8% of annual investment income |
| Performance Benchmark | 70% 12-month Maybank General Investment Account (GIA) + 30% FTSE Bursa Malaysia EMAS Shariah Index | Frequency and Basis of Unit Valuation | The unit price is determined daily based on value of the holdings in the target fund, net of expenses, divided by the total number of units in that fund |
| Target Market | Suitable for investors: <ul style="list-style-type: none">Have a moderate risk appetiteExpect incidental growth in capitalWant an investment that complies with Shariah requirements | Fund Management Charges | <ul style="list-style-type: none">Sun Life Malaysia does not impose any fund management charge on Sun Life Malaysia AIIMAN Select Income Fund.Up to 1.2% p.a. fund management charge is applied on the target fund's NAV by AHAM Asset Management Berhad. |

ASSET ALLOCATION OF THE TARGET FUND

| Sukuk & Islamic Money Market Instruments | Shariah-compliant Equities | Cash & Others |
|--|----------------------------|-------------------|
| Minimum 60% and up to 100% | Minimum 0% and up to 40% | Remaining Balance |

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| SECTOR ALLOCATION OF THE TARGET FUND | |
|--------------------------------------|--------|
| Industrials | 17.10% |
| Telecommunications | 11.00% |
| Utilities | 11.00% |
| Financial Services | 10.90% |
| Energy | 9.70% |
| Real Estate | 9.70% |
| Technology | 7.90% |
| Commercial Services | 4.90% |
| Banks | 4.80% |
| Consumer Discretionary | 2.90% |
| Consumer Staples | 2.30% |
| Health Care | 1.50% |
| Cash & Cash Equivalent | 6.50% |
| Total | 100.0% |
| Industrials | 17.10% |
| Telecommunications | 11.00% |

TOP HOLDINGS OF THE TARGET FUND (SUKUK)

| Bonds Issuer | Coupon | Maturity Date | % |
|--------------------------------|--------|---------------|-------|
| SMJ Energy Sdn Bhd 4.6700% | 4.70% | 26.10.2038 | 7.40% |
| UiTM Solar Power Sdn Bhd 6% | 6.00% | 26.4.2030 | 4.90% |
| MMC Corp Berhad 5.64% | 5.60% | 27.4.2027 | 4.90% |
| Celcom Networks Sdn Bhd 5.27% | 5.30% | 28.10.2026 | 4.80% |
| Yinson Holdings Berhad 7.5000% | 7.50% | 2.11.2122 | 4.80% |

TOP HOLDINGS OF THE TARGET FUND (EQUITIES)

| | |
|--------------------------------|-------|
| Samsung Electronics Co Ltd | 2.60% |
| Taiwan Semiconductor Manufac | 2.40% |
| Tenaga Nasional Bhd | 2.30% |
| SP Setia Bhd Group | 2.10% |
| Telkom Indonesia Persero TbkPT | 1.80% |

PERFORMANCE RECORD

This fund feeds into AHAM AIIMAN Select Income Fund ("target fund") with the objective to provide investors with regular income stream through Shariah-compliant investments. The target fund will invest in a diversified portfolio of Sukuks, Shariah-compliant equities and Islamic money market instruments.

Table below shows the investment returns of Sun Life Malaysia AIIMAN Select Income Fund versus its benchmark as at 31 July 2024:

| % | YTD | 1M | 6M | 1-Year | 3-Years | 5-Years | Since Inception |
|------------------|------|-------|------|--------|---------|---------|-----------------|
| Fund* | 4.26 | -0.82 | 3.25 | 6.70 | 3.58 | 11.04 | 29.53 |
| Benchmark | 5.83 | 0.67 | 2.16 | 6.86 | 7.74 | 12.22 | 23.57 |

* Calculation of past performance is based on NAV-to-NAV

Graph below shows the historical performance of the underlying collective investment schemes (CIS) for the calendar year returns:



Source: MorningStar

FUND MANAGER'S COMMENTS

- July capped off a turbulent month for US markets as investors digested a raft of economic data. Softer inflation prints earlier in the month and weak labour market data fortified expectations of rate cuts by the US Federal Reserve (Fed). However, bad data is no longer seen as good news for risk assets, as investors also weigh the risks of a prolonged downturn in the US economy. Nonfarm payrolls grew by just 114,000 in July, down from the downwardly revised 179,000 in June and significantly below market estimates of 185,000. Similarly, the unemployment rate edged higher to 4.3%, its highest since October 2021. These weak data releases came as the Fed chose to keep interest rates steady at its July FOMC meeting. Fed Chair Jerome Powell acknowledged progress on inflation and signalled that a rate cut could come as soon as September if inflation continues to ease.
- Overall, the S&P 500 index gained 1.10% in the month, jolted by a sharp rotation out of megacap tech names in favour of small-cap stocks and previously lagging sectors. Earnings season started on a whimper as Big Tech results underwhelm investors amidst signs of exuberance in the AI space. US Treasury yields rallied, with the benchmark 10-year yield dropping 37 bps to settle at 4.03%. Bond markets are currently pricing in a higher likelihood that the Fed could take a more aggressive stance on cutting rates by 50 bps in its September FOMC meeting compared to 25 bps before.
- In the political arena, President Joe Biden withdrew from the 2024 presidential election, throwing his support behind Vice President Kamala Harris and endorsing her as the Democratic Party's new presidential nominee. While the market's base case is that Trump could still win as President, the odds of the Republicans winning both houses of Congress may be lowered.
- Shifting to the East, Japanese equities tumbled with the Nikkei 225 index falling 1.20%, pressured by a stronger yen following the Bank of Japan's (BoJ) decision to raise interest rates and plans to halve its bond-buying program. This move prompted speculators and fast-money investors to exit their carry trades, sparking a selloff in many asset classes in the region. The broader MSCI Asia ex-Japan index closed 0.60% lower, with Taiwan's benchmark gauge tumbling 3.60%, underperforming peers. Chinese equities were muted, with the MSCI China index down 2.20%, following a soft GDP print and the absence of any major policy announcements from China's Third Plenum. However, the People's Bank of China (PBOC) implemented measures to shore up liquidity in the financial system by cutting the reverse repo rate, a key short-term policy rate, and lowering the benchmark loan prime rate.
- The July BNM meeting saw OPR maintained at 3.00% while maintaining a neutral tone. They highlighted that current OPR is supportive of economy and consistent with current assessment of inflation and growth prospects. Barring any upside surprise to growth, we opine BNM to maintain OPR in 2024. On economic data 2Q advanced GDP growth reported +5.8% yoy (1Q24: +4.2%), strongest pace in six quarters with growth seen across construction, agriculture, manufacturing and services. Terms of trade also improved with exports +5.8% yoy in 2Q24 (1Q: 2.0%) with imports +15.0% yoy (1Q24: +12.5%) underpinned by solid domestic demand. On inflation, June headline CPI was stable at +2.0% coming in below consensus of +2.2% (May: 2.0%, 1H24: 1.8%). Core CPI remain unchanged at +1.9% (May: 1.9%, 1H24: 1.8%). This reflects muted impact from recent broadening of services tax base, diesel price adjustments in June.

STRATEGY:

- Increased cash level to approximately 6.5% from 2.4% in June 2024;
- Lighten and reduce holdings in the semiconductor space and added thru some Singapore exposure.
- For sukuk sleeve, we target to switch out of bonds/sukuk with tight credit spreads;
- We are cautious of the broad-based tightening in credit spreads. We opine that credit selection is key, and will continue to focus on corporate bonds/sukuk with good fundamentals and robust business outlook; and
- We are looking to lengthen portfolio duration positioning opportunistically to 4.6 – 4.8 years, and the portfolio yield on estimation for the sukuk sleeve would be around 4.4%.

RISKS (CONTINUED)

Liquidity risk

Liquidity risk arises in two scenarios. The first scenario is where an investment cannot be sold due to unavailability of a buyer for that investment. The second scenario exists where the investment, by its nature, is thinly traded. This will have the effect of causing the investment to be sold below its fair value which would adversely affect the NAV of the target fund.

Currency risk

As the investments of the target fund may be denominated in currencies other than the base currency, any fluctuation in the exchange rate between the base currency and the currencies in which the investments are denominated may have an impact on the value of these investments. You should note that any gains or losses arising from the fluctuation in the exchange rate may further increase or decrease the returns of the investment.

Regulatory risk

The investments of the target fund will be exposed to changes in the laws and regulations in the countries the target fund is invested in. These regulatory changes pose a risk to the target fund as it may materially impact the investments of the target fund. In an effort to manage and mitigate such risk, Affin Hwang seeks to continuously keep abreast of regulatory developments (for example, by closely monitoring announcements on regulators' website and mainstream medias) in that country. Affin Hwang may dispose its investments in that particular country should the regulatory changes adversely impact the unit holders' interest or diminish returns to the target fund.

Country risk

Investments of the target fund in any country may be affected by changes in the economic and political climate, restriction on currency repatriation or other developments in the law or regulations of the countries in which the target fund invests in. For example, the deteriorating economic condition of such countries may adversely affect the value of the investments undertaken by the target fund in those affected countries. This in turn may cause the NAV of the target fund to fall.

Reclassification of Shariah status risk

This risk refers to the risk that the currently held Shariah-compliant equities in the target fund may be reclassified to be Shariah non-compliant in the periodic review of the equities by the Shariah Advisory Council of the Securities Commission Malaysia (SACSC), the Shariah Adviser or the Shariah boards of the relevant Islamic indices. If this occurs, Affin Hwang will take the necessary steps to dispose of such equities. There may be opportunity loss to the target fund due to the target fund not being allowed to retain the excess capital gains derived from the disposal of the Shariah non-compliant equities. Affin Hwang will be required to dispose of these equities immediately if the prices are above the purchase price. Should the prices be below the purchase price, Affin Hwang may choose to hold on to these holdings until the prices meet the purchase price. Nevertheless, should Affin Hwang decide to dispose of these equities below the purchase price, the target fund will be faced with the risk of realising its losses, thus negatively impacting the NAV of the target fund.

Source : AHAM Asset Management Berhad

Date : 31 July 2024

Disclaimer:

This is strictly the performance of the investment fund, and not the returns earned on the actual takaful contributions paid of the investment-linked product. Past performance of the fund is not an indication of its future performance. The performance of the fund is not guaranteed. The value of the fund will fluctuate and may fall below the amount of contributions paid and the fund value depends on the actual performance of the underlying investment. This material is for information purposes only and is subject to change at any time without notice. Sun Life Malaysia does not guarantee its accuracy, completeness, correctness or timeliness for any purpose or reason. This information should not be considered as advice or recommendation in relation to your account or particular investment objectives, financial situation or needs. You may not revise, transform, or build upon this material without prior written consent of Sun Life Malaysia. Before acting on any information you should seek independent financial advice. Sun Life Malaysia may suspend the unit pricing and defer the payment of benefits, other than death and total and permanent disability benefits, subscription or redemption of units, switching of funds, under this contract for a reasonable period in exceptional circumstances, such as and including intervening events resulting in temporary closure of any stock exchange.